TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL NOTE

HB 2883 - SB 2898

April 11, 2022

SUMMARY OF BILL: Requires that proceeds from the sale and conveyance of surplus real property or improvements used for operation of state prisons, if not managed as state office buildings and support facilities revolving fund property, be deposited in a reserve for correction facilities, within the General Fund, to be used for capital outlay for replacement facilities of the Department of Correction (DOC) and outer capital outlay of the Department.

Replaces the Department of Finance and Administration (F&A) with the Department of Commerce and Insurance (DCI), as the public entity charged with various duties regarding compensation for health and death benefits for certain public professions.

Establishes that for FY22-23, the state employer 401(k) match equals 200 percent of the amount contributed by each state employee to the plan per month, up to a maximum of $100 per month. In subsequent fiscal years, such employer match reverts to the previous calculation.

FISCAL IMPACT:

Increase State Expenditures - $36,481,900/FY22-23

The Governor's proposed budget for FY22-23, on page xxiv, recognizes a non-recurring appropriation of $48,300,000 to double the state match to employee 401(k) accounts.

Assumptions:

- Currently, proceeds from the sale and conveyance of surplus real property or improvements used for operations of state prisons, if not managed as state office buildings and support facilities revolving fund property, is deposited in the Sentencing Act of 1985 reserve. The proposed legislation will redirect such funding to a reserve for correction facilities within the General Fund. Any impact on DOC operations is estimated to be not significant.
- Replacing the F&A with DCI as the public entity charged with various duties regarding compensation for health and death benefits for certain public professions will impact operations of both departments. However, sufficient information was not provided to the Fiscal Review Committee (FRC) staff to calculate the precise impact on expenditures of the two departments. The net impact on the General Fund is estimated to be not significant.

- Pursuant to Tenn. Code Ann. § 8-25-303 (a)(1), the state employer 401(k) match currently equals 100 percent of the amount contributed by each employee to the plan per month, up to a maximum of $50 per month, or alternatively, upon to a higher maximum that may prescribed in the annual General Appropriations Act.
- This legislation will result in a significant one-time increase in one-time expenditures in FY22-23 for the higher employer match contribution provided in this legislation.
- According to the Department of Treasury, the state match in FY20-21 totaled $35,670,817. The proposed legislation will double that match, resulting in a one-time increase in state expenditures in FY22-23 of $35,670,817.
- In addition, it is assumed that some employees that are currently contributing under the current maximum $50 match will be incentivized to increase their contribution due to the enhanced match.
- Based on information previously provided to the FRC staff, the number of employees currently contributing less than $50 per month is estimated to be 9,010. The average contribution of such employees is currently unknown but is assumed to be $35. It is assumed that 25 percent of such employees, or 2,253 (9,010 x 25%), will increase their contributions to $50 due to the proposed enhanced state match. The additional increase in state expenditures, not accounted in the $35,670,817 figure above, is estimated to be $30 per employee per month. The one-time increase in state expenditures in FY22-23 is estimated to be $811,080 (2,253 x $30 x 12).
- It is assumed that the proposed legislation will not incentivize any non-participating employees to commence participation in the program.
- The total one-time increase in state expenditures in FY22-23 is estimated to be $36,481,897 ($35,670,817 + $811,080).
- The Governor's proposed budget for FY22-23, on page xxiv, recognizes a non-recurring appropriation of $48,300,000 to double the state match to employee 401(k) accounts.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Krista Lee Carsner

Krista Lee Carsner, Executive Director

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